

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 L-03 H-01 AGRE-00 ITC-01 DODE-00
PA-01 PRS-01 /090 W

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R 141400Z JUL 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2728

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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EO 11652 NA

TAGS EFIN ETRD BR

SUBJECT: REVISED EXPORT OUTLOOK FOR 1977

1. SUMMARY. AS A RESULT OF DECLINING COFFEE AND SOYBEAN PRICES DURING THE PAST TWO MONTHS, THE OUTLOOK FOR BRAZILIAN EXPORTS FOR 1977 HAS BECOME LESS OPTIMISTIC. WHEREAS AT THE BEGINNING OF THE YEAR BOTH OFFICIAL AND PRIVATE FORECASTERS WERE PREDICTING A TRADE SURPLUS OF UP TO \$1.0 BILLION, THESE SAME FORECASTERS ARE NOW PREDICTING A BALANCED TRADE ACCOUNT OR A MUCH SMALLER SURPLUS. THE EMBASSY BELIEVES THE EARLIER FORECASTS TO HAVE BEEN TOO OPTIMISTIC AND CONCURS WITH THE REVISED PROJECTION.
END SUMMARY.

2. THE BASIC REASON WHY THE FORECASTS HAVE HAD TO BE REVISED DOWNWARD IS THAT BRAZIL IS NOW EXPECTED TO EARN LESS FROM COFFEE AND SOYBEANS EXPORTS THAN EARLIER PREDICTED. DURING THE FIRST HALF, BRAZIL EARNED 32.15 BILLION FROM COFFEE, A SUM WHICH ALMOST MATCHED THE TOTAL FOR THE WHOLE OF LAST YEAR (\$2.3 BILLION). WORLD COFFEE PRICES HAVE DECLINED SHARPLY IN THE LAST TWO MONTHS
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AND THIS COMBINED WITH AN EXPECTED LOWER VOLUME OF EXPORTS IN THE IMMEDIATE MONTHS AHEAD POINTS TOWARD A SHARP DECLINE IN EARNINGS FROM THIS KEY COMMODITY DURING THE SECOND HALF. WE ESTIMATE COFFEE EARNINGS DURING THE SECOND HALF AT ABOUT \$1.1-1.4 BILLION, FOR A YEARLY TOTAL OF \$3.2-3.5 BILLION. (AT ONE POINT, SOME FORECASTERS WERE ESTIMATING COFFEE RECEIPTS UP TO \$4.0 BILLION). WITH RESPECT TO SOYBEANS, THE BRAZILIANS APPEAR TO HAVE SUFFERED A

GREAT LOSS OF OPPORTUNITY, WHICH IS ATTRIBUTABLE IN PART TO BAD GOVERNMENT POLICIES. SOYBEAN EXPORTERS WITHHELD THEIR PRODUCT OFF THE MARKET WHEN THE PRICE WAS CLOSE TO \$350 PER TON INSTEAD OF PAYING THE EXPORT TAX OF 12 PERCENT WHICH WAS IMPOSED IN ORDER TO PREVENT A RUN-UP OF THE DOMESTIC PRICE OF SOYA PRODUCTS (IN AN EFFORT TO FIGHT INFLATION). PRICES HAVE RECENTLY COME DOWN TO UNDER \$250 PER TON. (THE EXPORT TAX WAS RECENTLY REDUCED TO 7.0 PERCENT.) WE ARE THEREFORE FORECASTING TOTAL RECEIPTS FOR SOYBEANS (AND PRODUCTS) ON THE ORDER OF ABOUT \$2.3 BILLION, AS COMPARED TO EARLIER EXPECTATIONS OF AROUND \$2.7 BILLION. WE ARE CURRENTLY ESTIMATING TOTAL AGRICULTURAL EXPORTS IN THE \$8.0-8.5 BILLION RANGE, WHICH REPRESENTS A SCALING DOWN OF THE EARLIER FORECAST OF "UP TO \$9.0 BILLION". WHETHER THE ACTUAL FIGURE WILL BE AT THE LOWER OR UPPER END OF THE RANGE DEPENDS ON INTERNATIONAL PRICES FOR COFFEE AND SOYBEANS WHICH REPRESENT CLOSE TO 70 PERCENT OF TOTAL AGRICULTURAL EXPORTS.

3. WITH RESPECT TO NON-AGRICULTURAL PRODUCTS, WHICH INCLUDE MINERALS AND MANUFACTURED AND SEMI-MANUFACTURED PRODUCTS, BRAZIL SHOULD EARN ANOTHER \$4.3-\$4.5 BILLION, WHICH WOULD BRING TOTAL EXPORTS RECEIPTS UP TO \$12.3-13.0 BILLION, FOR AN INCREASE OF OVER 22-29 PERCENT OVER 1976.

4. GIVEN THE PERFORMANCE OF IMPORTS DURING THE FIRST SIX MONTHS, WE FORESEE LITTLE CHANGE FROM LAST YEAR'S TOTAL OF \$12.3 BILLION, A WIDELY ACCEPTED FORECAST. HENCE, WHETHER THERE IS A TRADE LIMITED OFFICIAL USE

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SURPLUS AND HOW LARGE WILL DEPEND ON THE BEHAVIOR OF EXPORTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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